



RGB Perspectives

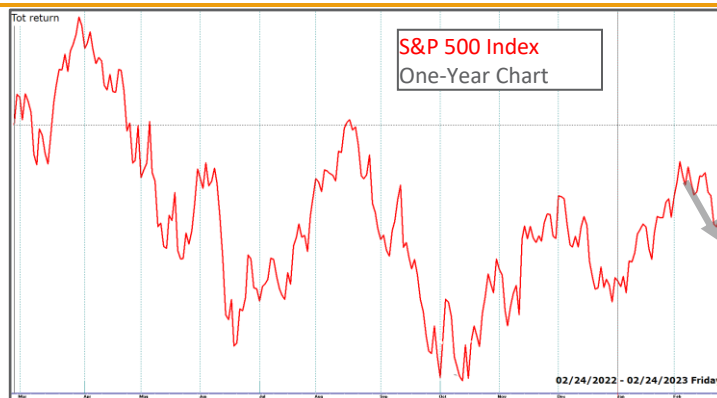
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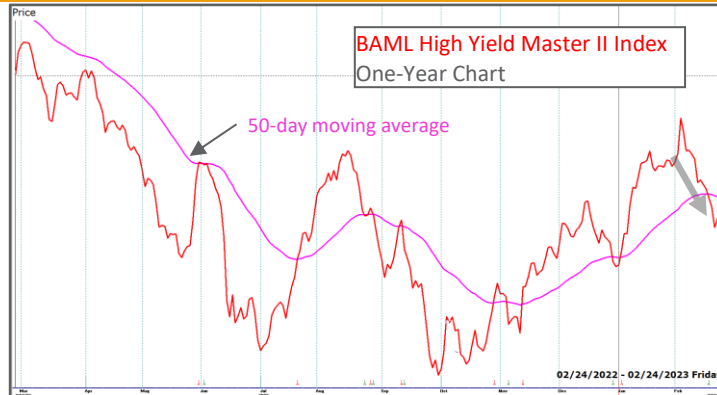
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Treasury yields have started rising again in response to recent economic reports that indicate labor market conditions remain strong and prices continue to rise above the Fed's 2% target. As a result, the **10-Year US Treasury Yield** has climbed over 16% (from 3.39% to 3.95%) over the last three weeks.



Rising rates and the idea that inflation may not yet be under control have driven stocks lower over that same three-week period. After a strong start to the year, the **S&P 500 Index** has given up some of the January gains and is down -2.6% month-to-date. The index remains up 3.4% year-to-date.



Higher yields have also created head winds for bonds of all types. For example, junk bonds, which generally move in the same direction as stocks, have declined this month. The **BAML High Yield Master II Index** has declined -1.8% month-to-date. This is an early indication that risk is rising.

The soft-landing scenario where the Fed raises rates just enough to slow the economy without creating an economic recession, appears less likely now and both the stock and bond markets have dropped over recent weeks. Over the next several weeks, incoming labor market and inflation data will help gauge whether the Fed will need to continue down the path of higher for longer (bad for the stock market) or the long-awaited pause in interest rate hikes (good for the stock market) will finally arrive. The Fed is currently expected to raise rates by 0.25% at each of its next three meetings (March, May and June).

After a strong start to the year, the RGB Capital Group investment strategies gave back some of those gains this month but remain positive year-to-date. We have made incremental adjustments to the strategies this month as capital preservation becomes a higher priority in this market environment.

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Prepared with data through 2/24/2023